

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 TRSE-00 L-03 H-01

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R 100548Z SEP 77

FM USINT BAGHDAD

TO SECSTATE WASHDC 4966

INFO USDOC WASHDC

AMEMBASSY ABU DHABI

AMEMBASSY ATHENS

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT POUCH

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY SANA

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

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E.O. 11652: N/A

TAGS: ETRD, IZ

SUBJECT: IRAQI BOYCOTT PRACTICES

REF: (A) STATE 207497 AND 76 STATE 250007

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(B) BAGHDAD 1440

(C) STATE 185350

1. SUMMARY: PROVISIONS CONCERNING THE BOYCOTT OF ISRAEL
PERMEATE IRAQI COMMERCIAL PRACTICE AND DOCUMENTATION,
INCLUDING TENDER DOCUMENTS, OIL PURCHASE AGREEMENTS,
LETTERS OF CREDIT, CONTRACTS, MAJOR PROJECT GENERAL

CONDITIONS, AND REGISTRATION REQUIREMENTS FOR BRANCHES
AND COMMISSION AGENTS OF FOREIGN COMPANIES. END SUMMARY.

2. FOLLOWING INFORMATION IS KEYED TO QUESTIONS CONTAINED
IN PARA 5, REF. A.

3. QUESTION (A) DOES HOST GOVERNMENT EXPLICITLY OR
IMPLICITLY APPLY BOYCOTT POLICIES? YES. SEE BELOW.

4. QUESTION (B-1) DESCRIPTION OF BOYCOTT PRACTICES.
IRAQ PARTICIPATES IN THE ARAB LEAGUE BOYCOTT OF
ISRAEL AND ALSO DOES NOT GRANT IMPORT LICENCES FOR PRODUCTS
FROM HONG KONG, TAIWAN, SOUTH AFRICA AND RHODESIA.
LITTLE IS KNOWN ABOUT THESE LATTER BOYCOTTS AND THE
INFORMATION GIVEN IN PARAS 5-9 BELOW ONLY DESCRIBES IRAQI
PRACTICES AIMED AT THE BOYCOTT OF ISRAEL.

5. TENDER DOCUMENTS ALMOST ALWAYS INCLUDE STIPULATIONS
THAT THE GOODS MUST NOT BE SHIPPED ON A "BLACKLISTED
STEAMER" AND THAT THE BIDDING FIRM MUST CERTIFY THAT IT IS
NOT "BLACKLISTED". FREQUENTLY TENDER DOCUMENTS ALSO INCLUDE
A QUESTIONNAIRE, PATTERNED AFTER THAT OF THE CENTRAL
BOYCOTT OFFICE IN DAMASCUS, SOLICITING INFORMATION ABOUT
THE BIDDER'S DEALINGS WITH ISRAEL. A FEW IRAQI AGENCIES
UNDER THE MINISTRY OF HEALTH EVEN SINGLE OUT US FIRMS BY
SPECIFICALLY REQUIRING THEM TO SUBMIT THIS INFORMATION IN
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ORDER TO QUALIFY TO BID. MOST IRAQI GOVERNMENT PURCHASING
ENTITIES, HOWEVER, REQUIRE SUBMISSION OF THIS
INFORMATION ONLY PRIOR TO THE SIGNING OF THE CONTRACT
IN WHICH A BOYCOTT CERTIFICATION IS CUSTOMARILY INCORPORATED.
SOME IRAQI AGENCIES -- SUCH AS THE GRAIN BOARD AND THE
IRAQI STATE TRADING COMPANIES WHICH ISSUE INVITATIONS TO
BID, RECEIVE PRICES AND CONFIRM ORDERS ALL BY TELEX -- RELY
MAINLY ON BOYCOTT CONDITIONS OF LETTERS OF CREDIT TO
ENFORCE IRAQ'S BOYCOTT POLICIES.

6. LETTERS OF CREDIT ISSUED BY THE RAFIDAIN BANK, THE
COUNTRY'S ONLY COMMERCIAL BANK, CONTAIN THE FOLLOWING
BOYCOTT STIPULATIONS:

-- BILLS OF LADING "SHOWING THE STEAMER IS NOT
SCHEDULED TO CALL AT ANY ISRAELI PORT...AND CERTIFYING
THAT THE STEAMER IS NOT INCLUDED IN THE IRAQI GOVERNMENT
BLACKLIST...DOCUMENTS SHOWING GOODS PASSING THROUGH
PALESTINE ARE NOT ACCEPTABLE".
--CERTIFICATES OF ORIGIN "CERTIFYING THAT THE GOODS
ARE WHOLLY PRODUCED OR MANUFACTURED IN (NAME OF COUNTRY)
AND DO NOT COMPRISE ANY RAW MATERIALS, PARTS, LABOUR OR
CAPITAL,* ISRAELI ORIGIN..."

--CERTIFICATION "THAT THE MANUFACTURER OR PRODUCER IS
NOT A BRANCH OR A MOTHER COMPANY OR FIRMS ON THE ISRAELI
BOYCOTT BLACKLIST."

7. REGISTRATION PROCEDURES FOR IRAQI COMMISSION AGENTS
AND FOREIGN COMPANIES WHICH WAFT TO ESTABLISH BRANCHES IN
IRAQ REQUIRE FOREIGN PRINCIPALS TO SIGN A "SEVEN POINT"
BOYCOTT OATH ALSO PATTERNED AFTER THE QUESTIONAIRE USED
BY THE CENTRAL BOYCOTT OFFICE IN DAMASCUS.

8. THE GENERAL CONDITIONS FOR MAJOR PROJECTS FREQUENTLY
BUT NOT ALWAYS INCLUDE A PROVISION REQUIRING THE PRIME
CONTRACTOR AND PRINCIPAL SUB-CONTRACTORS "TO ABIDE BY
AND COMPLY WITH" THE REGULATIONS ISSUED BY THE ISRAELI
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BOYCOTT OFFICE IN BAGHDAD.

9. STANDARD IRAQ NATIONAL OIL COMPANY PURCHASE AGREEMENTS
FOR CRUDE INCLUDE PROHIBITION AGAINST SHIPMENT ON
BLACKLISTED TANKERS.

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10. QUESTION B-2. (FIRST PART). TERTIARY BOYCOTT PRACTICES.
AS SHOWN BY THE ABOVE OUTLINE OF IRAQI BOYCOTT PRACTICES,
IRAQ DOES NOT EXPLICITLY INCORPORATE INTO ITS COMMERCIAL
DOCUMENTATION ANY REGULATIONS REQUIRING COMPANIES TO
REFRAIN FROM "DOING BUSINESS WITH A U.S. PERSON ENGAGED IN
TRADE WITHIN A BOYCOTTED COUNTRY OR WITH THE GOVERNMENT,
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COMPANIES OR NATIONALS OF THAT COUNTRY." WE DOUBT, HOWEVER,
THAT THE IRAQIS APPRECIATE THE DISTINCTIONS THAT THE USG
DRAWS AMONG PRIMARY, SECONDARY AND TERTIARY BOYCOTTS. FOR
EXAMPLE, EVEN THOUGH THE KNOWN IRAQI GOVERNMENT
REGULATIONS FORMALLY DO NOT TO USINT'S KNOWLEDGE REQUIRE
NON-BLACKLISTED COMPANIES TO FOREGO DEALING WITH BLACK-
LISTED ONES, THE IRAQI GOVERNMENT HAS RECENTLY SOUGHT
CLARIFICATION OF ARRANGEMENTS FROM A US COMPANY WHICH
ENTERED INTO A JOINT VENTURE IN EGYPT WITH ANOTHER US
COMPANY BLACKLISTED BY IRAQ BUT REMOVED FROM THE BLACK-
LIST BY EGYPT. A DEFINITIVE ANSWER AS TO WHETHER THE
GOI APPLIES TERTIARY BOYCOTT REGULATIONS SUCH AS THAT
QUOTED ABOVE PROBABLY TURNS ON THE CRITERIA WHICH THE
GOI USES FOR BLACKLISTING COMPANIES. USINT HAS NOT AS
YET BEEN ABLE TO OBTAIN THIS INFORMATION.

11. QUESTION B.2 (SECOND PART). TERTIARY BOYCOTT PRACTICES
IN REGARD TO RACE, RELIGION AND NATIONALITY. IRAQI
AUTHORITIES OFFICIALLY DISCLAIM THAT THE IRAQI BOYCOTT
OF ISRAEL IS ANY WAY DISCRIMINATES BECAUSE OF RACE OR
RELIGION, AND WE KNOW OF NO SPECIFIC CASE IN WHICH THE GOI
HAS ASKED COMPANIES TO REFRAIN FROM "DOING BUSINESS WITH ANY
NON-ISRAELI COMPANY" WHOSE OWNERSHIP OR MANAGEMENT IS MADE
UP, ALL OR IN PART, OF INDIVIDUALS OF A PARTICULAR NAT-
IONALITY, RACE, RELIGION, OR TO REMOVE (OR REFRAIN FROM
SELECTING) CORPORATE DIRECTORS WHO ARE INDIVIDUALS OF A
PARTICULAR NATIONALITY, RACE, OR RELIGION". WE JUDGE, HOWEVER,
THAT THE IRAQIS MAY BE SENSITIVE TO CASES INVOLVING NAT-

IONALITY IF AN ISRAELI
CITIZEN WERE INVOLVED.

12. QUESTION (B-3) ENFORCEMENT. PROVISIONS CONCERNING THE
BOYCOTT OF ISRAEL ARE RIGIDLY ENFORCED AT THE WORKING LEVEL.
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REPORTEDLY THE IRAQI REVOLUTIONARY COMMAND COUNCIL (RCC)
IN EARLY 1977 ISSUED A DIRECTIVE THAT IRAQI BOYCOTT
REGULATIONS WERE TO BE ENFORCED IN ALL TRANSACTIONS WITH
US COMPANIES (SEE BAGHDAD 489). SEVERAL US BUSINESSMEN
HAVE ALSO REPORTED THAT SOME IRAQI STATE COMPANIES
HAVE A POLICY OF NOT BUYING US GOODS IF ALTERNATIVE
SOURCING IS AVAILABLE. (SEE BAGHDAD 455). THE FOREIGN
MINISTRY TOLD USINT OFFICERS THAT THERE IS NO GENERAL
GOI POLICY TO THIS EFFECT BUT IS IN A POLICY WHICH MANY
IRAQI STATE COMPANIES MAY HAVE ADOPTED IN VIEW OF THE US
ANTI-BOYCOTT REGULATIONS (SEE BAGHDAD 1106). WE
HAVE NO OFFICIAL CONFIRMATION OF PRESS REPORTS THAT THE
GOI HAS BANNED DEALINGS WITH US FIRMS SINCE THE ENACTMENTS
OF THE NEW ANTI-BOYCOTT LAW. THE FACT THAT THE US
FIRMS ARE STILL BEING CONTRACTED BY IRAQI STATE PURCHASING
ORGANIZATIONS SUGGESTS THAT THESE REPORTS ARE
UNTRUE,

13. DESPITE THE GENERALLY TIGHT ENFORCEMENT OF IRAQI BOYCOTT
REGULATIONS, THE GOI HAS MADE EXCEPTIONS, ON A CASE BY CASE
BASIS, PARTICULARLY FOR HIGH TECHNOLOGY ITEMS (E.G.,
AIRCRAFT AND COMPUTERS) AND SPARE PARTS FOR US MADE
EQUIPMENT. IN ADDITION A CONSIDERABLE VOLUME OF US GOODS
ENTER IRAQ THROUGH THIRD COUNTRIES FOR WHOSE PRODUCTS
IRAQI IMPORT REGULATIONS WAIVE NEGATIVE CERTIFICATES OR
ORIGIN REQUIREMENT. THESE COUNTRIES INCLUDE ALL ARAB COUNTRIES,
SOCIALIST COUNTRIES INCLUDING YUGOSLAVIA, AND PAKISTAN.
EVIDENCE SUGGESTS THAT EIGHTER FIRMS FROM THESE COUNTRIES
HAVE PROVIDED NEGATIVE CERTIFICATES OF ORIGIN THEMSELVES
FOR US-MADE EQUIPMENT OR THAT THE GOI HAS OVERLOOKED THE
NEGATIVE CERTIFICATES OF ORIGIN REQUIREMENT FOR US
GOODS IMPORTED INTO IRAQ THROUGH THESE THIRD COUNTRY
FIRMS. BEST EXAMPLES ARE AN ESTIMATED 45 MILLION DOLLARS
WOTH OF US MADE CONSTRUCTION MACHINERY THROUGH YUGOSLAV
PRIME CONTRACTORS FOR IRAQI MAJOR PROJECTS AND 6,000 PICKUPS
THROUGH AL GHANIM CHEVROLET IN KUWAIT.
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14. QUESTION (B-4) BLACKLISTS. GOI AUTHORITIES CLAIM
THERE IS NO "BLACKLIST" PER SE, ONLY INDIVIDUAL COMPANY
FILES.

15. QUESTION (B-5) AUTHORITY FOR BOYCOTT REGULATIONS.
THE THE IRAQI GOVERNMENT CLAIMS THAT IT BASES ITS BOYCOTT
REGULATIONS ON THE AGREED POLICIES OF THE ARAB LEAGUE.
THEORETICALLY, IRAQ COMMERCIAL LAWS INVEST THE REVOLUTIONARY
COMMAND COUNCIL AND ITS SUBSIDIARY BODY CONCERNED WITH
TRADE MATTERS, THE SUPREME TRADE REGULATION BOARD, WITH
AUTHORITY TO SET TRADE POLICY, INCLUDING THAT PERTAINING
TO BOYCOTT MATTERS, REQUIRING INTER-MINISTERIAL COORDINATION.
LESSER MATTERS FALL UNDER THE JURISDICTION OF THE MINISTRY
OF TRADE.

16. QUESTION (C). NOT APPLICABLE.
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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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From: BAGHDAD
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SAS ID: 1320312
Secure: OPEN
Status: NATIVE
Subject: IRAQI BOYCOTT PRACTICES
TAGS: ETRD, IZ
To: STATE
Type: TE
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